There are two different types of pay that you will experience throughout your work life. There is **gross pay** and there is **net pay**. **Gross Pay is the total of an** [**employee's**](http://www.businessdictionary.com/definition/employee.html) **regular** [**pay**](http://www.businessdictionary.com/definition/remuneration.html) **before deductions.** Whereas, **Net Pay is the amount that you take home after deductions have been taken from your cheque.** There are many different ways an individual can earn an income, as discussed prior. Today you will focus on gross pay, how it is calculated and the different intervals an individual can be paid.

**Gross Pay**

**Payment Periods:**

There are many different times that individuals can be paid. As long as you and your employer discuss and agree to the terms of your work you can be paid out in one of the following ways.

|  |  |
| --- | --- |
| **Pay Period Type** | **Definition** |
| Daily | Payment received at the end of the work day. |
| Weekly | Payment is received at the end of the work week. |
| Bi-weekly | Payment is received in 26 intervals. (52 weeks per year ÷ 2) |
| Monthly | Payment is received at the end of the work month. Usually 12 intervals. |
| Semi-Monthly | Payment is received in 24 intervals. (12 months per year x 2) |
| Semi Annually | Payment is received every six months. |
| Annually | Payment is received once a year. |

**Calculating Gross Pay:**

1. **Wage** – Take the total amount of hours worked and multiply it by the wage you receive.

**Total Hours Worked X Wage = Gross Wage**

**Example:** Sue drives truck for **$8.75 an hour**. If she worked **40 hours**, what would her gross earnings be for one week?

40 X $8.75 = $350.00

2. **Salary** – A salary is a fixed amount that is paid out to you during one of the above described intervals. Most questions will be asked for you to calculate the interval. The chart below shows you how to calculate each of the different intervals.

|  |  |
| --- | --- |
| **Pay Period Type** | **Calculation** |
| Daily | Amount Paid ÷ Days Worked |
| Weekly | Amount Paid ÷ Number of Weeks Worked |
| Bi-weekly | Amount Paid ÷ 26 pay periods |
| Monthly | Amount Paid ÷ 12 Pay Periods |
| Semi-Monthly | Amount Paid ÷ 24 Pay Periods |
| Semi Annually | Amount Paid ÷ 2 Pay Periods |
| Annually | Amount Paid ÷ 1 Pay Periods |

**Example:** Jim grosses $2700 a year. Calculate his earnings for each pay period type. A work period in days is 250.

|  |  |
| --- | --- |
| **Pay Period Type** | **Calculation** |
| Daily | 2700÷250=$10.80 |
| Weekly | 2700÷52 =$51.92 |
| Bi-weekly | 2700÷26 =$103.85 |
| Monthly | 2700÷12=$225.00 |
| Semi-Monthly | 2700÷24=$112.50 |
| Semi Annually | 2700÷2= $1350.00 |
| Annually | 2700 ÷1=$2700.00 |

3. **Commission -** Take the total amount sold and multiply it by the amount sold. Remember that commission can be a flat rate per item sold or a percentage of the total sale price.

**Total Amount Sold X Percentage Rate = Gross Commission**

**Total Amount Sold X Dollar Rate = Gross Commission**

**Example:** A real estate agent earns 2.4% on the sale of a house priced at $89 950. What is her take home pay that day?

**$89 950 X 2.4% = $2158.80**

**Example 2:** A real estate agent earns 6500.00 for each condo sold in a new development. Judy sold five condos. What is her take home pay that day?

**5 x $6500.00 =$32 500.00**

**4. Piece Rate-** Take the total amount of products completed and multiply it by the amount offered for each completed product.

**Products Completed X Rate = Gross Pay**

**Example:** Jolene gets paid 17 cents a tree for tree planting up north. In one week she planted 2437 trees. What is her wage?

**2437 X .17 =$414.29**

**5. Salary + Commission-** Calculate the commission and add it to the salary. You may have to break down the salary into a specific interval before you can calculate and add the commission.

**Salary + (Total Amount Sold X Percentage Rate) = Gross Salary + Commission**

**OR**

**Salary + (Total Amount Sold X Dollar Rate) = Gross Salary + Commission**

**Example:** Dave earns $150 per week plus 38% commission. He sells $1043.92 in one week, what is his gross weekly earning?

**=150.00 + (1043.92 X 38%)**

**=150 + 396.69**

**=$546.69**

**Example 2:** Mary earns $28 000 a year. She had sold $1673.19 worth of merchandise in one week and was given a 2% commission. What was her weekly earning?

**= 28 000 ÷ 52 + (1673.19 X 2%)**

**= 538.46 + (1673.19 X 2%)**

**=538.46 +33.46**

**=571.92**

**6. Hourly Wage + Commission –** Calculate your commission and add your wage.

**Hourly Rate X Hours + (Total Amount Sold X Percentage) = Gross Wage + Commission**

**OR**

**Hourly Rate X Hours + (Total Amount Sold X Dollar Rate) = Gross Wage + Commission**

**Example:** Julie is a sales clerk at a bicycle shop. She is paid $6.25 per hour for 30 hours work week plus a commission of 8% of sales. In one week, her sales were $2319.75, what is her gross weekly earning?

**=6.25 X 30 + (2319.75 X 8%)**

**= 6.25 X 30 + 185.58**

**=187.50 + 185.58**

**=373.08**

**Try on your own:**

1.Mark is a word processor operator. He makes $11.50 an hour. Determine his gross earnings for a week if he worked 52 hours. Overtime is not a factor.

2. Sally's job pays her $1500 a month. What is her gross weekly wage?

3. A Car Salesperson makes 3.5% on their total sales each month. What is the salesperson total monthly earnings if his sales were 35,000.00 for that month?

4. Jason sold a total of 3,250,000.00 worth of product in one year, his company offers a 7% commission on his total sales. In addition to this he receives $2,500.00 base salary per month. What is his total earnings for the year?

5. Suzy works for Oreo Canada. She is paid $10.25 per hour for a 40 hour work week. In addition to this she sold 15,000.00 worth of product and the company pays her $400.00 for every $5,000.00 worth of product sold. What was her weekly earning?

6. A seamstress is paid $9.55 for every pair of pants that she makes. In one month she made 12,780 pairs of pants. What was her monthly take home pay?